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# INDUSTRIAL AND PECUNIARY EMPLOYMENTS.

BY THORSTEIN VEBLEN.

For purposes of economic theory, the various activities of men and things about which economists busy themselves were classified by the early writers according to a scheme which has remained substantially unchanged, if not unquestioned, since their time. This scheme is the classical three-fold division of the factors of production under Land, Labor, and Capital. The theoretical aim of the economists in discussing these factors and the activities for which they stand has not remained the same throughout the course of economic discussion, and the three-fold division has not always lent itself with facility to new points of view and new purposes of theory, but the writers who have shaped later theory have, on the whole, not laid violent hands on the sacred formula. These facts must inspire the utmost reserve and circumspection in any one who is moved to propose even a subsidiary distinction of another kind between economic activities or agents. The terminology and the conceptual furniture of economics are complex and parti-colored enough without gratuitous innovation.

It is accordingly not the aim of this paper to set aside the time-honored classification of factors, or even to formulate an iconoclastic amendment, but rather to indicate how and why this classification has proved inadequate for certain purposes of theory which were not contemplated by the men who elaborated it. To this end a bit of preface may be in place as regards the aims which led to its formulation and the uses which the three-fold classification originally served.

The economists of the late eighteenth and early nineteenth centuries were believers in a Providential order, or an order of Nature. How they came by this belief need not occupy us here ; neither need we raise a question as to whether their conviction of its truth was well or ill grounded. The Providential order or order of Nature is conceived to work in an effective and just way toward the end to which it tends ; and in the economic field this objective end is the material welfare of mankind. The science of that time set itself the task of interpreting the facts with which it dealt, in terms of this natural order. The material circumstances which condition men's life fall within the scope of this natural order of the universe, and as members of the universal scheme of things men fall under the constraining guidance of the laws of Nature, who does all things well. As regards their purely theoretical work, the early economists are occupied with bringing the facts of economic life under natural laws conceived somewhat after the manner indicated ; and when the facts handled have been fully interpreted in the light of this fundamental postulate the theoretical work of the scientist is felt to have been successfully done.

The economic laws aimed at and formulated under the guidance of this preconception are laws of what takes place "naturally" or "normally", and it is of the essence of things so conceived that in the natural or normal course there is no wasted or misdirected effort. The standpoint is given by the material interest of mankind, or, more concretely, of the community or "society" in which the economist is placed ; the resulting economic theory is formulated as an analysis of the "natural" course of the life of the community, the ultimate theo-

retical postulate of which might, not unfairly, be stated as in some sort a law of the conservation of economic energy. When the course of things runs off naturally or normally, in accord with the exigencies of human welfare and the constraining laws of nature, economic income and outgo balance one another. The natural forces at play in the economic field may increase indefinitely through accretions brought in under man's dominion and through the natural increase of mankind, and, indeed, it is of the nature of things that an orderly progress of this kind should take place; but within the economic organism, as within the larger organism of the universe, there prevails an equivalence of expenditure and returns, an equilibrium of flux and reflux, which is not broken over in the normal course of things. So it is, by implication, assumed that the product which results from any given industrial process or operation is, in some sense or in some unspecified respect, the equivalent of the expenditure of forces, or of the effort, or what not, that has gone into the process out of which the product emerges.

This theorem of equivalence is the postulate which lies at the root of the classical theory of distribution, but it manifestly does not admit of proof—or of disproof either, for that matter; since neither the economic forces which go into the process nor the product which emerges are, in the economic respect, of such a tangible character as to admit of quantitative determination. They are in fact incommensurable magnitudes. To this last remark the answer may conceivably present itself that the equivalence in question is an equivalence in utility or in exchange value, and that the quantitative determination of the various items in terms of exchange value or of utility is, theoretically, not impossible; but when it is called

to mind that the forces or factors which go to the production of a given product take their utility or exchange value from that of the product, it will easily be seen that the expedient will not serve. The equivalence between the aggregate factors of production in any given case and their product remains a dogmatic postulate whose validity cannot be demonstrated in any terms that will not reduce the whole proposition to an aimless fatuity, or to metaphysical grounds which have now been given up.

The point of view from which the early, and even the later classical, economists discussed economic life was that of "the society" taken as a collective whole and conceived as an organic unit. Economic theory sought out and formulated the laws of the normal life of the social organism, as it is conceived to work out in that natural course whereby the material welfare of society is attained. The details of economic life are construed, for purposes of general theory, in terms of their subservience to the aims imputed to the collective life process. Those features of detail which will bear construction as links in the process whereby the collective welfare is furthered, are magnified and brought into the foreground, while such features as will not bear this construction are treated as minor disturbances. Such a procedure is manifestly legitimate and expedient in a theoretical inquiry whose aim is to determine the laws of health of the social organism and the normal functions of this organism in a state of health. The social organism is, in this theory, handled as an individual endowed with a consistent life purpose and something of an intelligent apprehension of what means will serve the ends which it seeks. With these collective ends the interests of the individual members are con-

ceived to be fundamentally at one ; and, while men may not see that their own individual interests coincide with those of the social organism, yet, since men are members of the comprehensive organism of nature and consequently subject to beneficent natural law, the ulterior trend of unrestrained individual action is, on the whole, in the right direction.

The details of individual economic conduct and its consequences are of interest to such a general theory chiefly as they further or disturb the beneficent "natural" course. But if the aims and methods of individual conduct were of minor importance in such an economic theory, that is not the case as regards individual rights. The early political economy was not simply a formulation of the natural course of economic phenomena, but it embodied an insistence on what is called "natural liberty". Whether this insistence on natural liberty is to be traced to utilitarianism or to a less specific faith in natural rights, the outcome for the purpose in hand is substantially the same. To avoid going too far afield, it may serve the turn to say that the law of economic equivalence, or conservation of economic energy, was, in early economics, backed by this second corollary of the order of nature, the closely related postulate of natural rights. The classical doctrine of distribution rests on both of these, and it is consequently not only a doctrine of what must normally take place as regards the course of life of society at large, but it also formulates what ought of right to take place as regards the remuneration for work and the distribution of wealth among men.

Under the resulting natural-economic law of equivalence and equity, it is held that the several participants or factors in the economic process severally get the

equivalent of the productive force which they expend. They severally get as much as they produce; and conversely, in the normal case they severally produce as much as they get. In the earlier formulations, as, for example, in the authoritative formulation of Adam Smith, there is no clear or persistent pronouncement as regards the terms in which this equivalence between production and remuneration runs. With the later, classical economists, who had the benefit of a developed utilitarian philosophy, it seems to be somewhat consistently conceived in terms of an ill-defined serviceability. With some later writers it is an equivalence of exchange values; but as this latter reduces itself to tautology, it need scarcely be taken seriously. When we are told in the later political economy that the several agents or factors in production normally earn what they get, it is perhaps fairly to be construed as a claim that the economic service rendered the community by any one of the agents in production equals the service received by the agent in return. In terms of serviceability, then, if not in terms of productive force,<sup>1</sup> the individual agent, or at least the class or group of agents to which the individual belongs, normally gets as much as he contributes and contributes as much as he gets. This applies to all those employments or occupations which are ordinarily carried on in any community, throughout the aggregate of men's dealings with the material means of life. All activity which touches industry comes in under this law of equivalence and equity.

Now, to a theorist whose aim is to find the laws gov-

<sup>1</sup> Some late writers, as, *e. g.*, J. B. Clark, apparently must be held to conceive the equivalence in terms of productive force rather than of serviceability; or, perhaps, in terms of serviceability on one side of the equation and productive force on the other.

erning the economic life of a social organism, and who for this purpose conceives the economic community as a unit, the features of economic life which are of particular consequence are those which show the correlation of efforts and the solidarity of interests. For this purpose, such activities and such interests as do not fit into the scheme of solidarity contemplated are of minor importance, and are rather to be explained away or construed into subservience to the scheme of solidarity than to be incorporated at their face value into the theoretical structure. Of this nature, are what are here to be spoken of under the term "pecuniary employments," and the fortune which these pecuniary employments have met at the hands of classical economic theory is such as is outlined in the last sentence.

In a theory proceeding on the premise of economic solidarity, the important bearing of any activity that is taken up and accounted for, is its bearing upon the furtherance of the collective life process. Viewed from the standpoint of the collective interest, the economic process is rated primarily as a process for the provision of the aggregate material means of life. As a late representative of the classical school expresses it: "Production, in fact, embraces every economic operation except consumption."<sup>1</sup> It is this aggregate productivity, and the bearing of all details upon the aggregate productivity, that constantly occupies the attention of the classical economists. What partially diverts their attention from this central and ubiquitous interest, is their persistent lapse into natural-rights morality.

The result is that acquisition is treated as a sub-head under production, and effort directed to acquisition is

<sup>1</sup>J. B. Clark, *The Distribution of Wealth*, p. 20.



construed in terms of production. The pecuniary activities of men, efforts directed to acquisition and operations incident to the acquisition or tenure of wealth, are treated as incidental to the distribution to each of his particular proportion in the production of goods. Pecuniary activities, in short, are handled as incidental features of the process of social production and consumption, as details incident to the method whereby the social interests are served, instead of being dealt with as the controlling factor about which the modern economic process turns.

Apart from the metaphysical tenets indicated above as influencing them, there are, of course, reasons of economic history for the procedure of the early economists in so relegating the pecuniary activities to the background of economic theory. In the days of Adam Smith, for instance, economic life still bore much of the character of what Professor Schmoller calls *Stadtwirtschaft*. This was the case to some extent in practice, but still more decidedly in tradition. To a greater extent than has since been the case, households produced goods for their own consumption, without the intervention of sale; and handicraftsmen still produced for consumption by their customers, without the intervention of a market. In a considerable measure, the conditions which the Austrian marginal-utility theory supposes, of a producing seller and a consuming buyer, actually prevailed. It may not be true that in Adam Smith's time the business operations, the bargain and sale of goods, were, in general, obviously subservient to their production and consumption, but it comes nearer being true at that time than at any time since then. And the tradition having once been put into form and authenticated by Adam Smith, that such was the place of pecuniary

transactions in economic theory, this tradition has lasted on in the face of later and further changes. Under the shadow of this tradition the pecuniary employments are still dealt with as auxilliary to the process of production, and the gains from such employments are still explained as being due to a productive effect imputed to them.

According to ancient prescription, then, all normal, legitimate economic activities carried on in a well regulated community serve a materially useful end, and so far as they are lucrative they are so by virtue of and in proportion to a productive effect imputed to them. But in the situation as it exists at any time there are activities and classes of persons which are indispensable to the community, or which are at least unavoidably present in modern economic life, and which draw some income from the aggregate product, at the same time that these activities are not patently productive of goods and can not well be classed as industrial, in any but a highly sophisticated sense. Some of these activities, which are concerned with economic matters but are not patently of an industrial character, are integral features of modern economic life, and must therefore be classed as normal; for the existing situation, apart from a few minor discrepancies, is particularly normal in the apprehension of present-day economists. Now, the law of economic equivalence and equity says that those who normally receive an income must perforce serve some productive end; and, since the existing organization of society is conceived to be eminently normal, it becomes imperative to find some ground on which to impute industrial productivity to those classes and employments which do not at the first view appear to be industrial at all.

Hence there is commonly visible in the classical political economy, ancient and modern, a strong inclination to make the schedule of industrially productive employments very comprehensive ; so that a good deal of ingenuity has been spent in economically justifying their presence by specifying the productive effect of such non-industrial factors as the courts, the army, the police, the clergy, the schoolmaster, the physician, the opera singer.

But these non-economic employments are not so much to the point in the present inquiry ; the point being employments which are unmistakably economic, but not industrial in the naïve sense of the word industry, and which yield an income.

Adam Smith analyzed the process of industry in which he found the community of his time engaged, and found the three classes of agents or factors : Land, Labor, and Capital (stock). The productive factors engaged being thus determined, the norm of natural-economic equivalence and equity already referred to above, indicated what would be the natural sharers in the product. Later economists have shown great reserve about departing from this three-fold division of factors, with its correlated three-fold division of sharers of remuneration ; apparently because they have retained an instinctive, indefeasible trust in the law of economic equivalence which underlies it. But circumstances have compelled the tentative intrusion of a fourth class of agent and income. The undertaker and his income presently came to be so large and ubiquitous figures in economic life that their presence could not be overlooked by the most normalizing economist. The undertaker's activity has been interpolated in the scheme of productive factors, as

a peculiar and fundamentally distinctive kind of labor, with the function of coördinating and directing industrial processes. Similarly, his income has been interpolated in the scheme of distribution, as a peculiar kind of wages, proportioned to the heightened productivity given the industrial process by his work.<sup>1</sup> His work is discussed in expositions of the theory of production. In discussions of his functions and his income the point of the argument is, how and in what degree does his activity increase the output of goods, or how and in what degree does it save wealth to the community. Beyond his effect in enhancing the effective volume of the aggregate wealth the undertaker receives but scant attention, apparently for the reason that so soon as that point has been disposed of the presence of the undertaker and his income has been reconciled with the tacitly accepted natural law of equivalence between productive service and remuneration. The normal balance has been established, and the undertaker's function has been justified and subsumed under the ancient law that Nature does all things well and equitably.

This holds true of the political economy of our grandfathers. But this aim and method of handling the phenomena of life for theoretical ends, of course, did not go out of vogue abruptly in the days of our grandfathers.<sup>2</sup> There is a large sufficiency of the like aim and animus

<sup>1</sup> The undertaker gets an income ; therefore he must produce goods. But human activity directed to the production of goods is labor ; therefore the undertaker is a particular kind of laborer. There is, of course, some dissent from this position.

<sup>2</sup> The change which has supervened as regards the habitual resort to a natural law of equivalence is in large part a change with respect to the degree of immediacy and "reality" imputed to this law, and to a still greater extent a change in the degree of overtness with which it is avowed.

in the theoretical discussions of a later time ; but specifically to cite and analyse the evidence of its presence would be laborious, nor would it conduce to the general peace of mind.

Some motion towards a further revision of the scheme is to be seen in the attention which has latterly been given to the function and the profits of that peculiar class of undertakers whom we call speculators. But even on this head the argument is apt to turn on the question of how the services which the speculator is conceived to render the community are to be construed into an equivalent of his gains.<sup>1</sup> The difficulty of interpretation encountered at this point is considerable, partly because it is not quite plain whether the speculators as a class come out of their transactions with a net gain or with a net loss. A systematic net loss, or a no-profits balance, would, on the theory of equivalence, mean that the class which gets this loss or doubtful gain is of no service to the community ; yet we are, out of the past, committed to the view that the speculator is useful—indeed economically indispensable—and shall therefore have his reward. In the discussions given to the speculator and his function some thought is commonly given to the question of the “legitimacy” of the speculator’s traffic. The legitimate speculator is held to earn his gain by services of an economic kind rendered the community. The recourse to this epithet, “legitimate”, is chiefly of interest as showing that the tacit postulate of a natural order is still in force. Legitimate are such speculative dealings as are, by the theorist,

<sup>1</sup> See, *e. g.*, a paper by H. C. Emery in the Papers and Proceedings of the Twelfth Annual Meeting of the American Economic Association, on “The Place of the Speculator in the Theory of Distribution,” and more particularly the discussion following the paper.

conceived to serve the ends of the community, while illegitimate speculation is that which is conceived to be disserviceable to the community.

The theoretical difficulty about the speculator and his gains (or losses) is that the speculator *ex professo* is quite without interest in or connection with any given industrial enterprise or any industrial plant. He is, industrially speaking, without visible means of support. He may stake his risks on the gain or on the loss of the community with equal chances of success, and he may shift from one side to the other without winking.

The speculator may be treated as an extreme case of undertaker, who deals exclusively with the business side of economic life rather than with the industrial side. But he differs in this respect from the common run of business men in degree rather than in kind. His traffic is a pecuniary traffic, and it touches industry only remotely and uncertainly; while the business man as commonly conceived is more or less immediately interested in the successful operation of some concrete industrial plant. But since the undertaker first broke into economic theory, some change has also taken place as regards the immediacy of the relations of the common run of undertakers to the mechanical facts of the industries in which they are interested. Half a century ago it was still possible to construe the average business manager in industry, as an agent occupied with the superintendence of the mechanical processes involved in the production of goods or services. But in the later development the connection between the business manager and the mechanical processes has, on an average, grown more remote; so much so, that his superintendence of the plant or of the processes is frequently visible only to the scientific imagination. That activity by

virtue of which the undertaker is classed as such makes him a business-man, not a mechanic or foreman of the shop. His superintendence is a superintendence of the pecuniary affairs of the concern, rather than of the industrial plant; especially is this true in the higher development of the modern captain of industry. As regards the nature of the employment which characterizes the undertaker, it is possible to distinguish him from the men who are mechanically engaged in the production of goods, and to say that his employment is of a business or pecuniary kind, while theirs is of an industrial or mechanical kind. It is not possible to draw a similar distinction between the undertaker who is in charge of a given industrial concern, and the business man who is in business but is not interested in the production of goods or services. As regards the character of employment, then, the line falls not between legitimate and illegitimate pecuniary transactions, but between business and industry.

The distinction between business and industry has, of course, been possible from the beginning of economic theory, and, indeed, the distinction has from time to time temporarily been made in the contrast frequently pointed out between the proximate interest of the business man and the ulterior interest of society at large. What appears to have hindered the reception of the distinction into economic doctrine, is the constraining presence of a belief in an order of Nature and the habit of conceiving the economic community as an organism. The point of view given by these postulates has made such a distinction between employments not only useless, but even disservicable for the ends to which theory has been directed. But the fact has come to be gradually more and more patent that there are constantly,

normally present in modern economic life an important range of activities and classes of persons who work for an income but of whom it cannot be said that they, either proximately or remotely, apply themselves to the production of goods. Their services, proximate or remote, to society are often of quite a problematical character. They are ubiquitous, and it will scarcely do to say that they are anomalous, for they are of ancient prescription, they are within the law and within the pale of popular morals.

Of these strictly economic activities that are lucrative without necessarily being serviceable to the community, the greater part are to be classed as "business". Perhaps the largest and most obvious illustration of these legitimate business employments is afforded by the speculators in securities. By way of further illustration may be mentioned the extensive and varied business of real-estate men (land-agents) engaged in the purchase and sale of property for speculative gain or for a commission; so, also, the closely related business of promoters and boomers of other than real-estate ventures; as also attorneys, brokers, bankers, and the like, although the work performed by these latter will more obviously bear interpretation in terms of social serviceability. The traffic of these business men shades off insensibly from that of the *bona fide* speculator who has no ulterior end of industrial efficiency to serve, to that of the captain of industry or entrepreneur as conventionally set forth in the economic manuals.

The characteristic in which these business employments resemble one another, and in which they differ from the mechanical occupations as well as from other non-economic employments, is that they are concerned primarily with the phenomena of value—with exchange



or market values and with purchase and sale—and only indirectly and secondarily, if at all, with mechanical processes. What holds the interest and guides and shifts the attention of men within these employments is the main chance. These activities begin and end within what may broadly be called “the higgling of the market”. Of the industrial employments, in the stricter sense, it may be said, on the other hand, that they begin and end outside the higgling of the market. Their proximate aim and effect is the shaping and guiding of material things and processes. Broadly, they may be said to be primarily occupied with the phenomena of material serviceability, rather than with those of exchange value. They are taken up with the phenomena which make the subject matter of Physics and the other material sciences.

The business man enters the economic life process from the pecuniary side, and so far as he works an effect in industry he works it through the pecuniary dispositions which he makes. He takes thought most immediately of men’s convictions regarding market values; and his efforts as a business man are directed to the apprehension, and commonly also to the influencing of men’s beliefs regarding market values. The objective point of business is the diversion of purchase and sale into some particular channel, commonly involving a diversion from other channels. The laborer and the man engaged in directing industrial processes, on the other hand, enter the economic process from the material side; in their characteristic work they take thought most immediately of mechanical effects, and their attention is directed to turning men and things to account for the compassing of some material end. The ulterior aim, and the ulterior effect, of these industrial

employments may be some pecuniary result ; work of this class commonly results in an enhancement, or at least an alteration, of market values. Conversely, business activity may, and in a majority of cases it probably does, effect an enhancement of the aggregate material wealth of the community, or the aggregate serviceability of the means at hand ; but such an industrial outcome is by no means bound to follow from the nature of the business man's work.

From what has just been said it appears that, if we retain the classical division of economic theory into Production, Distribution, and Consumption, the pecuniary employments do not properly fall under the first of these divisions, Production, if that term is to retain the meaning commonly assigned to it. In an earlier and less specialized organization of economic life, particularly, the undertaker frequently performs the work of a foreman or a technological expert, as well as the work of business management. Hence in most discussions of his work and his theoretical relations his occupation is treated as a composite one. The technological side of his composite occupation has even given a name to his gains (wages of superintendence), as if the undertaker were primarily a master-workman. The distinction at this point has been drawn between classes of persons instead of between classes of employments ; with the result that the evident necessity of discussing his technological employment under production has given countenance to the endeavor to dispose of the undertaker's business activity under the same head. This endeavor has, of course, not wholly succeeded.

In the later development, the specialization of work in the economic field has at this point progressed so far, and the undertaker now in many cases comes so near

being occupied with business affairs alone, to the exclusion of technological direction and supervision, that, with this object lesson before us, we no longer have the same difficulty in drawing a distinction between business and industrial employments. And even in the earlier days of the doctrines, when the aim was to dispose of the undertaker's work under the theoretical head of Production, the business side of his work persistently obtruded itself for discussion in the books and chapters given to Distribution and Exchange. The course taken by the later theoretical discussion of the entrepreneur, leaves no question but that the characteristic fact about his work is that he is a business man, occupied with pecuniary affairs.

Such pecuniary employments, of which the purely fiscal or financiering forms of business are typical, are nearly all and nearly throughout, conditioned by the institution of property or ownership—an institution which, as John Stuart Mill remarks, belongs entirely within the theoretical realm of Distribution. Ownership, no doubt, has its effect upon productive industry, and, indeed, its effect upon industry is very large, both in scope and range, even if we should not be prepared to go the length of saying that it fundamentally conditions all industry; but ownership is not itself primarily or immediately a contrivance for production. Ownership directly touches the results of industry, and only indirectly the methods and processes of industry. If the institution of property be compared with such a feature of our culture, for instance, as the domestication of plants or the smelting of iron, the meaning of what has just been said may seem clearer.

So much then of the business man's activity as is conditioned by the institution of property, is not to be

classed, in economic theory, as productive or industrial activity at all. Its objective point is an alteration of the distribution of wealth. His business is, essentially, to sell and buy—sell in order to buy cheaper, buy in order to sell dearer.<sup>1</sup> It may or may not, indirectly, and in a sense incidentally, result in enhanced production. The business man may be equally successful in his enterprise, and he may be equally well remunerated, whether his activity does or does not enrich the community. Immediately and directly, so long as it is confined to the pecuniary or business sphere, his activity is incapable of enriching or impoverishing the community as a whole except, after the fashion conceived by the mercantilists, through his dealings with men of other communities. The circulation and distribution of goods incidental to the business man's traffic is commonly, though not always or in the nature of the case, serviceable to the community; but the distribution of goods is a mechanical, not a pecuniary transaction, and it is not the objective point of business nor its invariable outcome. From the point of view of business, the distribution or circulation of goods is a means of gain, not an end sought.

It is true, industry is closely conditioned by business. In a modern community, the business man finally decides what may be done in industry, or at least in the greater number and the more conspicuous branches of industry. This is particularly true of those branches that are currently thought of as peculiarly modern. Under existing circumstances of ownership, the discretion in economic matters, industrial or otherwise, ultimately rests in the hands of the business men. It is their business to have to do with property, and property means

<sup>1</sup> Cf., *e.g.*, Marx's *Capital*, especially bk. I, ch. IV.

the discretionary control of wealth. In point of character, scope and growth, industrial processes and plants adapt themselves to the exigencies of the market, wherever there is a developed market, and the exigencies of the market are pecuniary exigencies. The business man, through his pecuniary dispositions, enforces his choice of what industrial processes shall be in use. He can, of course, not create or initiate methods or aims for industry; if he does so he steps out of the business sphere into the material domain of industry. But he can decide whether and which of the known processes and industrial arts shall be practised, and to what extent. Industry must be conducted to suit the business man in his quest for gain; which is not the same as saying that it must be conducted to suit the needs or the convenience of the community at large. Ever since the institution of property was definitely installed, and in proportion as purchase and sale has been practiced, some approach has been made to a comprehensive system of control of industry by pecuniary transactions and for pecuniary ends, and the industrial organization is nearer such a consummation now than it ever has been. For the great body of modern industry the final term of the sequence is not the production of the goods but their sale; the endeavor is not so much to fit the goods for use as for sale. It is well known that there are many lines of industry in which the cost of marketing the goods equals the cost of making and transporting them.

Any industrial venture which falls short in meeting the pecuniary exigencies of the market declines and yields ground to others that meet them with better effect. Hence shrewd business management is a requisite to success in any industry that is carried on within the scope of the market. Pecuniary failure carries with

it industrial failure, whatever may be the cause to which the pecuniary failure is due—whether it be inferiority of the goods produced, lack of salesmanlike tact, popular prejudice, scanty or ill-devised advertising, excessive truthfulness, or what not. In this way industrial results are closely dependent upon the presence of business ability; but the cause of this dependence of industry upon business in a given case is to be sought in the fact that other rival ventures have the backing of shrewd business management, rather than in any help which business management in the aggregate affords to the aggregate industry of the community. Shrewd and farsighted business management is a requisite of survival in the competitive pecuniary struggle in which the several industrial concerns are engaged, because shrewd and farsighted business management abounds and is employed by all the competitors. The ground of survival in the selective process is fitness for pecuniary gain, not fitness for serviceability at large. Pecuniary management is of an emulative character and gives, primarily, relative success only. If the change were equitably distributed, an increase or decrease of the aggregate or average business ability in the community need not immediately affect the industrial efficiency or the material welfare of the community. The like can not be said with respect to the aggregate or average industrial capacity of the men at work. The latter are, on the whole, occupied with production of goods; the business men, on the other hand, are occupied with the acquisition of them.

Theoreticians who are given to looking beneath the facts and to contemplating the profounder philosophical meaning of life speak of the function of the undertaker

as being the guidance and coördination of industrial processes with a view to economies of production. No doubt, the remoter effect of business transactions often is such coördination and economy, and, no doubt, also, the undertaker has such economy in view and is stimulated to his manoeuvres of combination by the knowledge that certain economies of this kind are feasible and will inure to his gain if the proper business arrangements can be effected. But it is practicable to class even this indirect furthering of industry by the undertaker as a permissive guidance only. The men in industry must first create the mechanical possibility of such new and more economical methods and arrangements, before the undertaker sees the chance, makes the necessary business arrangements, and gives directions that the more effective working arrangements be adopted.

It is notorious, and it is a matter upon which men dilate, that the wide and comprehensive consolidations and coördinations of industry, which often add so greatly to its effectiveness, take place at the initiative of the business men who are in control. It should be added that the fact of their being in control precludes such coördination from being effected except by their advice and consent. And it should also be added, in order to a passably complete account of the undertaker's function, that he not only can and does effect economizing coördinations of a large scope, but he also can and does at times inhibit the process of consolidation and coördination. It happens so frequently that it might fairly be said to be the common run that business interests and undertaker's manoeuvres delay consolidation, combination, coördination, for some appreciable time after they have become patently advisable on industrial grounds. The industrial advisability or practicability is not the de-

cisive point. Industrial advisability must wait on the eventual convergence of jarring pecuniary interests and on the strategical moves of business men playing for position.

Which of these two offices of the business man in modern industry, the furthering or the inhibitory, has the more serious or more far-reaching consequences is, on the whole, somewhat problematical. The furtherance of coördination by the modern captain of industry bulks large in our vision, in great part because the process of widening coördination is of a cumulative character. After a given step in coördination and combination has been taken, the next step takes place on the basis of the resulting situation. Industry, that is to say the working force engaged in industry, has a chance to develop new and larger possibilities to be taken further advantage of. In this way each successive move in the enhancement of the efficiency of industrial processes, or in the widening of coördination in industrial processes, pushes the captain of industry to a further concession, making possible a still farther industrial growth. But as regards the undertaker's inhibitory dealings with industrial coördination the visible outcome is not so striking. The visible outcome is simply that nothing of the kind then takes place in the premises. The potential cumulative sequence is cut off at the start, and so it does not figure in our appraisal of the disadvantage incurred. The loss does not commonly take the more obtrusive form of an absolute retreat, but only that of a failure to advance where the industrial situation admits of an advance.

It is, of course, impracticable to foot up and compare gain and loss in such a case, where the losses, being of the nature of inhibited growth, cannot be ascertained.



But since the industrial serviceability of the captain of industry is, on the whole, of a problematical complexion, it should be advisable for a cautious economic theory not to rest its discussion of him on his serviceability.<sup>1</sup>

<sup>1</sup> It is not hereby intended to depreciate the services rendered the community by the captain of industry in his management of business. Such services are no doubt rendered and are also no doubt of substantial value. Still less is it the intention to decry the pecuniary incentive as a motive to thrift and diligence. It may well be that the pecuniary traffic which we call business is the most effective method of conducting the industrial policy of the community; not only the most effective that has been contrived, but perhaps the best that can be contrived. But that is a matter of surmise and opinion. In a matter of opinion on a point that cannot be verified, a reasonable course is to say that the majority are presumably in the right. But all that is beside the point. However probable or reasonable such a view may be, it can find no lodgment in modern scientific theory, except as a corollary of secondary importance. Nor can scientific theory build upon the ground it may be conceived to afford. Policy may so build, but science can not. Scientific theory is a formulation of the laws of phenomena in terms of the efficient forces at work in the sequence of phenomena. So long as (under the old dispensation of the order of nature) the animistically conceived natural laws, with their God-given objective end, were considered to exercise a constraining guidance over the course of events whereof they were claimed to be laws, so long it was legitimate scientific procedure for economists to formulate their theory in terms of these laws of the natural course; because so long they were speaking in terms of what was, to them, the efficient forces at work. But so soon as these natural laws were reduced to the plane of colorless empirical generalization as to what commonly happens, while the efficient forces at work are conceived to be of quite another cast, so soon must theory abandon the ground of the natural course, sterile for modern scientific purposes, and shift to the ground of the causal sequence, where alone it will have to do with the forces at work as they are conceived in our time. The generalizations regarding the normal course, as "normal" has been defined in economics since J. S. Mill, are not of the nature of theory, but only rule-of-thumb. And the talk about the "function" of this and that factor of production, etc., in terms of the collective life purpose, goes to the same limbo; since the collective life purpose is no longer avowedly conceived to cut any figure in the every-day guidance of economic activities or the shaping of economic results.

The doctrine of the social-economic function of the undertaker may for the present purpose be illustrated by a suppositious parallel from

It appears, then, as all economists are no doubt aware, that there is in modern society a considerable range of activities, which are not only normally present, but which constitute the vital core of our economic system ; which are not directly concerned with production, but which are nevertheless lucrative. Indeed, the group comprises most of the highly remunerative employments in modern economic life. The gains from these employments must plainly be accounted for on other grounds than their productivity, since they need have no productivity.

But it is not only as regards the pecuniary employments that productivity and remuneration are constitutionally out of touch. It seems plain, from what has already been said, that the like is true for the remuneration gained in the industrial employments. Most wages, particularly those paid in the industrial employments proper, as contrasted with those paid for domestic or personal service, are paid on account of pecuniary serviceability to the employer, not on grounds of material

Physics. It is an easy generalization, which will scarcely be questioned, that, in practice, pendulums commonly vibrate in a plane approximately parallel with the nearest wall of the clock-case in which they are placed. The normality of this parallelism is fortified by the further observation that the vibrations are also commonly in a plane parallel with the nearest wall of the room ; and when it is further called to mind that the balance which serves the purpose of a pendulum in watches similarly vibrates in a plane parallel with the walls of its case, the absolute normality of the whole arrangement is placed beyond question. It is true, the parallelism is not claimed to be related to the working of the pendulum, except as a matter of fortuitous convenience ; but it should be manifest from the generality of the occurrence that in the normal case, in the absence of disturbing causes, and in the long run, all pendulums will "naturally" tend to swing in a plane faultlessly parallel with the nearest wall. The use which has been made of the "organic concept", in economics and in social science at large, is fairly comparable with this suppositious argument concerning the pendulum.

serviceability to mankind at large. The product is valued, sought and paid for on account of and in some proportion to its vendibility, not for more recondite reasons of ulterior human welfare at large. It results that there is no warrant, in general theory, for claiming that the work of highly paid persons (more particularly that of highly paid business men) is of greater substantial use to the community than that of the less highly paid. At the same time, the reverse could, of course, also not be claimed. Wages, resting on a pecuniary basis, afford no consistent indication of the relative productivity of the recipients, except in comparisons between persons or classes whose products are identical except in amount,—that is to say, where a resort to wages as an index of productivity would be of no use anyway.<sup>1</sup>

A result of the acceptance of the theoretical distinction here attempted between industrial and pecuniary employments and an effective recognition of the pecuniary basis of the modern economic organization would be to dissociate the two ideas of productivity and remuneration. In mathematical language, remuneration could no longer be conceived and handled as a “function” of productivity,—unless productivity be taken to mean pecuniary serviceability to the person who pays the remuneration. In modern life remuneration is, in the last analysis, uniformly obtained by virtue of an agreement between individuals who commonly proceed

<sup>1</sup> Since the ground of payment of wages is the vendibility of the product, and since the ground of a difference in wages is the different vendibility of the product acquired through the purchase of the labor for which the wages are paid, it follows that wherever the difference in vendibility rests on a difference in the magnitude of the product alone, there wages should be somewhat in proportion to the magnitude of the product.

on their own interest in point of pecuniary gain. The remuneration may, therefore, be said to be a "function" of the pecuniary service rendered the person who grants the remuneration; but what is pecuniarily serviceable to the individual who exercises the discretion in the matter need not be productive of material gain to the community as a whole. Nor does the algebraic sum of individual pecuniary gains measure the aggregate serviceability of the activities for which the gains are got.

In a community organized, as modern communities are, on a pecuniary basis, the discretion in economic matters rests with the individuals, in severalty; and the aggregate of discrete individual interests nowise expresses the collective interest. Expressions constantly recur in economic discussions which imply that the transactions discussed are carried out for the sake of the collective good or at the initiative of the social organism, or that "society" rewards so and so for their services. Such expressions are commonly of the nature of figures of speech and are serviceable for homiletical rather than for scientific use. They serve to express their user's faith in a beneficent order of nature, rather than to convey or to formulate information in regard to facts.

Of course, it is still possible consistently to hold that there is a natural equivalence between work and its reward, that remuneration is naturally, or normally, or in the long run, proportioned to the material service rendered the community by the recipient; but that proposition will hold true only if "natural" or "normal" be taken in such a sense as to admit of our saying that the natural does not coincide with the actual; and it must be recognized that such a doctrine of the "natural" apportionment of wealth or of income disregards the

efficient facts of the case. Apart from effects of this kind in the way of equitable arrangements traceable to grounds of sentiment, the only recourse which modern science would afford the champion of a doctrine of natural distribution, in the sense indicated, would be a doctrine of natural selection; according to which all disserviceable or unproductive, wasteful, employments would, perforce, be weeded out as being incompatible with the continued life of any community that tolerated them. But such a selective elimination of unserviceable or wasteful employments would presume the following two conditions, neither of which need prevail: (1) It must be assumed that the disposable margin between the aggregate productivity of industry and the aggregate necessary consumption is so narrow as to admit of no appreciable waste of energy or of goods; (2) it must be assumed that no deterioration of the condition of society in the economic respect does or can "naturally" take place. As to the former of these two assumptions, it is to be said that in a very poor community, and under exceptionally hard economic circumstances, the margin of production may be as narrow as the theory would require. Something approaching this state of things may be found, for instance, among some Eskimo tribes. But in a modern industrial community—where the margin of admissible waste probably always exceeds fifty per cent. of the output of goods—the facts make no approach to the hypothesis. The second assumed condition is, of course, the old-fashioned assumption of a beneficent, providential order or meliorative trend in human affairs. As such, it needs no argument at this day. Instances are not far to seek of communities in which economic deterioration has taken place while the system of distribution, both

of income and of accumulated wealth, has remained on a pecuniary basis.

I am sensible of having dwelt at an unseemly length on this question of an organic or natural equivalence between social service and remuneration, on the one hand, and on the bearing of the attempted distinction between industrial and pecuniary employments upon this theory of a natural equivalence, on the other hand. My excuse for so doing is that this doctrine of a natural equivalence has had a far-reaching and enduring effect upon the received theories of distribution and production, and that, with a change of phrase rather than of substance, it still continues to afford ground for further elaboration of like theories ; while at the same time it seems plain that a scrutiny of the metaphysics of the doctrine of equivalence must immediately put it out of court as being groundless as well as useless for the purposes of modern science. I am also sensible of having said very little in the course of this long argument that is not already contained, explicitly or by broad implication, in the accepted body of doctrines. What has been attempted is to follow out the direction of latter-day economic discussion one step beyond the point at which those who have been making economic science have been content to rest their analysis of phenomena. This one step crosses the frontier between the normal and the actual, at a point where the line has not usually been crossed.

To return to the main drift of the argument. The pecuniary employments have to do with wealth in point of ownership, with market values, with transactions of exchange, purchase and sale, bargaining for the purpose of pecuniary gain. These employments make up the

characteristic occupations of business men, and the gains of business are derived from successful endeavors of the pecuniary kind. These business employments are the characteristic activity (constitute the "function") of what are in theory called undertakers. The dispositions which undertakers, *qua* business men, make are pecuniary dispositions—whatever industrial sequel they may or may not have—and are carried out with a view to pecuniary gain. The wealth of which they have the discretionary disposal may or may not be in the form of "production goods"; but in whatever form the wealth in question is conceived to exist, it is handled by the undertakers in terms of values and is disposed of by them in the pecuniary respect. When, as may happen, the undertaker steps down from the pecuniary plane and directs the mechanical handling and functioning of "production goods", he becomes for the time a foreman. The undertaker, if his business venture is of the industrial kind, of course takes cognizance of the aptness of a given industrial method or process for his purpose, and he has to choose between different industrial processes in which to invest his values; but his work as undertaker, simply, is the investment and shifting of the values under his hand from the less to the more gainful point of investment. When the investment takes the form of material means of industry, or industrial plant, the sequel of a given business transaction is commonly some particular use of such means; and when such industrial use follows, it commonly takes place at the hands of other men than the undertaker, although it takes place within limits imposed by the pecuniary exigencies of which the undertaker takes cognizance. Wealth turned to account in the way of investment or business management may or may not, in consequence,

be turned to account, materially, for industrial effect. Wealth, values, so employed for pecuniary ends is capital in the business sense of the word.<sup>1</sup> Wealth, material means of industry, physically employed for industrial ends is capital in the industrial sense. Theory, therefore, would require that care be taken to distinguish between capital as a pecuniary category, and capital as an industrial category, if the term capital is retained to cover the two concepts.<sup>2</sup> The distinction here made substantially coincides with a distinction which many late writers have arrived at from a different point of approach and have, with varying success, made use of under different terms.<sup>3</sup>

A further corollary touching capital may be pointed out. The gains derived from the handling of capital in the pecuniary respect have no immediate relation, stand in no necessary relation of proportion, to the productive effect compassed by the industrial use of the material means over which the undertaker may dispose; although the gains have a relation of dependence to the effects achieved in point of vendibility. But vendibility need not, even approximately, coincide with serviceability,

<sup>1</sup> All wealth so used is capital, but it does not follow that all pecuniary capital is social wealth.

<sup>2</sup> In current theory the term capital is used in these two senses; while in business usage it is employed pretty consistently in the former sense alone. The current ambiguity in the term capital has often been adverted to by economists, and there may be need of a revision of the terminology at this point; but this paper is not concerned with that question.

<sup>3</sup> Professor Fetter, in a recent paper (*Quarterly Journal of Economics*, November, 1900) is, perhaps, the writer who has gone the farthest in this direction in the definition of the capital concept. Professor Fetter wishes to confine the term capital to pecuniary capital, or rather to such pecuniary capital as is based on the ownership of material goods. The wisdom of such a terminological expedient is, of course, not in question here.



in industry, that is to say the functioning of industrial capital in the service of the community at large, stands in no necessary or consistent relation to the gainfulness of capital in the pecuniary respect. Productivity can accordingly not be predicted of pecuniary capital. It follows that productivity theories of interest should be as difficult to maintain as productivity theories of the gains of the pecuniary employments, the two resting on the same grounds.

It is, further, to be remarked that pecuniary capital and industrial capital do not coincide in respect of the concrete things comprised under each. From this and from the considerations already indicated above, it follows that the magnitude of pecuniary capital may vary independently of variations in the magnitude of industrial capital—not indefinitely, perhaps, but within a range which, in its nature, is indeterminate. Pecuniary capital is a matter of market values, while industrial capital is, in the last analysis, a matter of mechanical efficiency, or rather of mechanical effects not reducible to a common measure or a collective magnitude. So far as the latter may be spoken of as a homogenous aggregate—itself a doubtful point at best—the two categories of capital are disparate magnitudes, which can be mediated only through a process of valuation conditioned by other circumstances besides the mechanical efficiency of the material means valued. Market values being a psychological outcome, it follows that pecuniary capital, an aggregate of market values, may vary in magnitude with a freedom which gives the whole an air of caprice,—such as psychological phenomena, particularly the psychological phenomena of crowds, frequently present, and such as becomes strikingly noticeable in times of panic or of

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speculative inflation. On the other hand, industrial capital, being a matter of mechanical contrivances and adaptation, cannot similarly vary through a revision of valuations. If it is taken as an aggregate, it is a physical magnitude, and as such it does not alter its complexion or its mechanical efficiency in response to the greater or less degree of appreciation with which it is viewed. Capital pecuniarily considered rests on a basis of subjective value ; capital industrially considered rests on material circumstances reducible to objective terms of mechanical, chemical and physiological effect.

The point has frequently been noted that it is impossible to get at the aggregate social (industrial) capital by adding up the several items of individual (pecuniary) capital. A reason for this, apart from variations in the market values of given material means of production, is that pecuniary capital comprises not only material things but also conventional facts, psychological phenomena not related in any rigid way to material means of production,—as, *e. g.*, good will, fashions, customs, prestige, effrontery, personal credit. Whatever ownership touches, and whatever affords ground for pecuniary discretion, may be turned to account for pecuniary gain and may therefore be comprised in the aggregate of pecuniary capital. Ownership, the basis of pecuniary capital, being itself a conventional fact, that is to say a matter of habits of thought, it is intelligible that phenomena of convention and opinion should figure in an inventory of pecuniary capital ; whereas, industrial capital being of a mechanical character, conventional circumstances do not affect it—except as the future production of material means to replace the existing outfit may be guided by convention—and items having but a conventional existence are, therefore, not comprised in

its aggregate. The disparity between pecuniary and industrial capital, therefore, is something more than a matter of an arbitrarily chosen point of view, as some recent discussions of the capital concept would have us believe; just as the difference between the pecuniary and the industrial employments, which are occupied with the one or the other category of capital, means something more than the same thing under different aspects.

But the distinction here attempted has a farther bearing, beyond the possible correction of a given point in the theory of distribution. Modern economic science is to an increasing extent concerning itself with the question of what men do and how and why they do it, as contrasted with the older question of how Nature, working through human nature, maintains a favorable balance in the output of goods. Neither the practical questions of our generation, nor the pressing theoretical questions of the science, run on the adequacy or equity of the share that goes to any class in the normal case. The questions are rather such realistic ones as these: Why do we, now and again, have hard times and unemployment in the midst of excellent resources, high efficiency and plenty of unmet wants? Why is one-half our consumable product contrived for consumption that yields no material benefit? Why are large coordinations of industry, which greatly reduce cost of production, a cause of perplexity and alarm? Why is the family disintegrating among the industrial classes, at the same time that the wherewithal to maintain it is easier to compass? Why are large and increasing portions of the community penniless in spite of a scale of remuneration which is very appreciably above the sub-

sistence minimum? Why is there a widespread disaffection among the intelligent workmen who ought to know better? These and the like questions, being questions of fact, are not to be answered on the grounds of normal equivalence. Perhaps it might better be said that they have so often been answered on those grounds, without any approach to disposing of them, that the outlook for help in that direction has ceased to have a serious meaning. These are, to borrow Professor Clark's phrase, questions to be answered on dynamic, not on static grounds. They are questions of conduct and sentiment, and so far as their solution is looked for at the hands of economists it must be looked for along the line of the bearing which economic life has upon the growth of sentiment and canons of conduct. That is to say, they are questions of the bearing of economic life upon the cultural changes that are going forward.

For the present it is the vogue to hold that economic life, broadly, conditions the rest of social organization or the constitution of society. This vogue of the proposition will serve an excuse from going into an examination of the grounds on which it may be justified, as it is scarcely necessary to persuade any economist that it has substantial merits even if he may not accept it in an unqualified form. What the Marxists have named the "Materialistic Conception of History" is assented to with less and less qualification by those who make the growth of culture their subject of inquiry. This materialistic conception says that institutions are shaped by economic conditions; but, as it left the hands of the Marxists, and as it still functions in the hands of many who knew not Marx, it has very little to say regarding the efficient force, the channels, or the

methods by which the economic situation is conceived to have its effect upon institutions. What answer the early Marxists gave to this question, of how the economic situation shapes institutions, was to the effect that the causal connection lies through a selfish, calculating class interest. But, while class interest may count for much in the outcome, this answer is plainly not a competent one, since, for one thing, institutions by no means change with the alacrity which the sole efficiency of a reasoned class interest would require.

Without discrediting the claim that class interest counts for something in the shaping of institutions, and to avoid getting entangled in preliminaries it may be said that institutions are of the nature of prevalent habits of thought, and that therefore the force which shapes institutions is the force or forces which shape the habits of thought prevalent in the community. But habits of thought are the outcome of habits of life. Whether it is intentionally directed to the education of the individual or not, the discipline of daily life acts to alter or reinforce the received habits of thought, and so acts to fortify the received institutions under which men live. And the direction in which, on the whole, the alteration proceeds is conditioned by the trend of the discipline of daily life. The point here immediately at issue is the divergent trend of this discipline in those occupations which are prevailingly of an industrial character, as contrasted with those which are prevailingly of a pecuniary character. So far as regards the different cultural outcome to be looked for on the basis of the present economic situation as contrasted with the past, therefore, the question immediately in hand is as to the greater or less degree in which occupations are differentiated into

industrial and pecuniary in the present as compared with the past.

The characteristic feature which is currently held to differentiate the existing economic situation from that out of which the present has developed, or out of which it is emerging, is the prevalence of the machine industry with the consequent larger and more highly specialized organization of the market and of the industrial force and plant. As has been pointed out above, and as is well enough known from the current discussions of the economists, industrial life is organized on a pecuniary basis and managed from the pecuniary side. This, of course, is true in a degree both of the present and of the nearer past, back at least as far as the middle ages. But the larger scope of organizations in modern industry means that the pecuniary management has been gradually passing into the hands of a relatively decreasing class, whose contact with the industrial classes proper grows continually less immediate. The distinction between employments above spoken of is in an increasing degree coming to coincide with a differentiation of occupations and of economic classes. Some degree of such specialization and differentiation there has, of course, been, one might almost say, always. But in our time, in many branches of industry, the specialization has been carried so far that large bodies of the working population have but an incidental contact with the business side of the enterprise, while a minority have little if any other concern with the enterprise than its pecuniary management. This was not true, *e. g.*, at the time when the undertaker was still salesman, purchasing agent, business manager, foreman of the shop, and master workman. Still less was it true in the days of the self-sufficing manor or household, or in the

days of the closed town industry. Neither is it true in our time of what we call the backward or old-fashioned industries. These latter have not been and are not organized on a large scale, with a consistent division of labor between the owners and business managers on the one side and the operative employees on the other. Our standing illustration of this less highly organized class of industries are the surviving handicrafts and the common run of farming as carried on by relatively small proprietors. In that earlier phase of economic life, out of which the modern situation has gradually grown, all the men engaged had to be constantly on their guard, in a pecuniary sense, and were constantly disciplined in the husbanding of their means and in the driving of bargains,—as is still true, *e. g.*, of the American farmer. The like was formerly true also of the consumer, in his purchases, to a greater extent than at present. A good share of the daily attention of those who were engaged in the handicrafts was still perforce given to the pecuniary or business side of their trade. But for that great body of industry which is conventionally recognized as eminently modern, specialization of function has gone so far as, in great measure, to exempt the operative employees from taking thought of pecuniary matters.

Now, as to the bearing of all this upon cultural changes that are in progress or in the outlook. Leaving the “backward,” relatively unspecialized, industries on one side, as being of an equivocal character for the point in hand and as not differing characteristically from the corresponding industries in the past so far as regards their disciplinary value; modern occupations may, for the sake of the argument, be broadly distinguished, as economic employments have been distin-



guished above, into business and industrial. The modern industrial and the modern business occupations are fairly comparable as regards the degree of intelligence required in both, if it be borne in mind that the former occupations comprise the highly trained technological experts and engineers as well as the highly skilled mechanics. The two classes of occupations differ in that the men in the pecuniary occupations work within the lines and under the guidance of the great institution of ownership, with its ramifications of custom, prerogative, and legal right; whereas those in the industrial occupations are, in their work, relatively free from the constraint of this conventional norm of truth and validity. It is, of course, not true that the work of the latter class lies outside the reach of the institution of ownership; but it is true that, in the heat and strain of the work, when the agent's powers and attention are fully taken up with the work which he has in hand, that of which he has perforce to take cognizance is not conventional law, but the conditions impersonally imposed by the nature of material things. This is the meaning of the current commonplace that the required close and continuous application of the operative in mechanical industry bars him out of all chance for an all-around development of the cultural graces and amenities. It is the periods of close attention and hard work that seem to count for most in the formation of habits of thought.

An *a priori* argument as to what cultural effects should naturally follow from such a difference in discipline between occupations, past and present, would probably not be convincing, as *a priori* arguments from half-authenticated premises commonly are not. And the experiments along this line which later economic

developments have so far exhibited have been neither neat enough, comprehensive enough, nor long continued enough to give definitive results. Still, there is something to be said under this latter head, even if this something may turn out to be somewhat familiar.

It is, *e. g.*, a commonplace of current vulgar discussions of existing economic questions, that the classes engaged in the modern mechanical or factory industries are improvident and apparently incompetent to take care of the pecuniary details of their own life. In this indictment may well be included not only factory hands, but the general class of highly skilled mechanics, inventors, technological experts. The rule does not hold in any hard and fast way, but there seems to be a substantial ground of truth in the indictment in this general form. This will be evident on comparison of the present factory population with the class of handicraftsmen of the older culture whom they have displaced, as also on comparison with the farming population of the present time, especially the small proprietors of this and other countries. The inferiority which is currently conceded to the modern industrial classes in this respect is not due to scantier opportunities for saving, whether they are compared with the earlier handicraftsmen or with the modern farmer or peasant. This phenomena is commonly discussed in terms which impute to the improvident industrial classes something in the way of total depravity, and there is much preaching of thrift and steady habits. But the preaching of thrift and self-help, unremitting as it is, is not producing an appreciable effect. The trouble seems to run deeper than exhortation can reach. It seems to be of the nature of habit rather than of reasoned conviction. Other causes may be present and

may be competent partially to explain the improvidence of these classes, but the inquiry is at least a pertinent one how far the absence of property and thrift among them may be traceable to the relative absence of pecuniary training in the discipline of their daily life. If, as the general lay of the subject would indicate, this peculiar pecuniary situation of the industrial classes is in any degree due to comprehensive disciplinary causes, there is material in it for an interesting economic inquiry.

The surmise that the trouble with the industrial class is something of this character is strengthened by another feature of modern vulgar life, to which attention is directed as a further, and, for the present, a concluding illustration of the character of the questions that are touched by the distinction here spoken for. The most insidious and most alarming malady, as well as the most perplexing and unprecedented, that threatens the modern social and political structure is what is vaguely called socialism. The point of danger to the social structure, and at the same time the substantial core of the socialistic disaffection, is a growing disloyalty to the institution of property, aided and abetted as it is by a similarly growing lack of deference and affection for other conventional features of social structure. The classes affected by socialistic vagaries are not consistently averse to a competent organization and control of society, particularly not in the economic respect, but they are averse to organization and control on conventional lines. The sense of solidarity does not seem to be either defective or in abeyance, but the ground of solidarity is new and unexpected. What their constructive ideals may be need not concern nor detain us; they are vague and in-

consistent and for the most part negative. Their disaffection has been set down to discontent with their lot by comparison with others, and to a mistaken view of their own interests; and much and futile effort has been spent in showing them the error of their ways of thinking. But what the experience of the past suggests that we should expect under the guidance of such motives and reasoning as these would be a demand for a redistribution of property, a reconstitution of the convention of ownership on such new lines as the apprehended interests of these classes would seem to dictate. But such is not the trend of socialistic thinking, which contemplates rather the elimination of the institution of property. To the socialists property or ownership does not seem inevitable or inherent in the nature of things; to those who criticise and admonish them it commonly does.

Compare them in this respect with other classes who have been moved by hardship or discontent, whether well or ill advised, to put forth denunciations and demands for radical economic changes; as *e. g.*, the American farmers in their several movements, of grangerism, populism, and the like. These have been loud enough in their denunciations and complaints, and they have been accused of being socialistic in their demand for a virtual redistribution of property. They have not felt the justice of the accusation, however, and it is to be noted that their demands have consistently run on a rehabilitation of property on some new basis of distribution, and have been uniformly put forth with the avowed purpose of bettering the claimants in point of ownership. Ownership, property "honestly" acquired, has been sacred to the rural malcontents, here and elsewhere; what they have aspired to do has been to remedy what

they have conceived to be certain abuses under the institution, without questioning the institution itself.

Not so with the socialists, either in this country or elsewhere. Now, the spread of socialistic sentiment shows a curious tendency to affect those classes particularly who are habitually employed in the specialized industrial occupations, and are thereby in great part exempt from the intellectual discipline of pecuniary management. Among these men, who by the circumstances of their daily life are brought to do their serious and habitual thinking in other than pecuniary terms, it looks as if the ownership preconception were becoming obsolescent through disuse. It is the industrial population, in the modern sense, and particularly the more intelligent and skilled men employed in the mechanical industries, that are most seriously and widely affected. With exceptions both ways, but with a generality that is not to be denied, the socialistic disaffection spreads through the industrial towns, chiefly and most potently among the better classes of operatives in the mechanical employments; whereas the relatively indigent and unintelligent regions and classes, which the differentiation between pecuniary and industrial occupations has not reached, are relatively free from it. In like manner the upper and middle classes, whose employments are of a pecuniary character, if any, are also not seriously affected; and when avowed socialistic sentiment is met with among these upper and middle classes it commonly turns out to be merely a humanitarian aspiration for a more "equitable" redistribution of wealth—a readjustment of ownership under some new and improved method of control—not a contemplation of the traceless disappearance of ownership.

Socialism, in the sense in which the word connotes a

subversion of the economic foundations of modern culture, appears to be found only sporadically and uncertainly outside the limits, in time and space, of the discipline exercised by the modern mechanical, non-pecuniary occupations. This state of the case need of course not be due solely to the disciplinary effects of the industrial employments, nor even solely to effects traceable to those employments whether in the way of disciplinary results, selective development, or what not. Other factors, particularly factors of an ethnic character, seem to coöperate to the result indicated ; but, so far as evidence bearing on the point is yet in hand and has been analyzed, it indicates that this differentiation of occupations is a necessary requisite to the growth of a consistent body of socialistic sentiment ; and the indication is also that wherever this differentiation prevails in such a degree of accentuation and affects such considerable and compact bodies of people as to afford ground for a consistent growth of common sentiment, a result is some form of iconoclastic socialism. The differentiation may of course have a selective as well as a disciplinary effect upon the population affected, and an off-hand separation of these two modes of influence can of course not be made. In any case, the two modes of influence seem to converge to the outcome indicated ; and, for the present purpose of illustration simply, the tracing out of the two strands of sequence in the case neither can nor need be undertaken. By force of this differentiation, in one way and another, the industrial classes are learning to think in terms of material cause and effect, to the neglect of prescription and conventional grounds of validity ; just as, in a faintly incipient way, the economists are also learning to do in their discussion of the life of these classes. The resulting decay of the popular sense of conventional validity of

course extends to other matters than the pecuniary conventions alone, with the outcome that the socialistically affected industrial classes are pretty uniformly affected with an effortless iconoclasm in other directions as well. For the discipline to which their work and habits of life subject them gives not so much a training away from the pecuniary conventions, specifically, as a positive and somewhat unmitigated training in methods of observation and inference proceeding on grounds alien to all conventional validity. But the practical experiment going on in the specialization of discipline, in the respect contemplated, appears still to be near its beginning, and the growth of aberrant views and habits of thought due to the peculiar disciplinary trend of this late and unprecedented specialization of occupations has not yet had time to work itself clear.

The effects of the like one-sided discipline are similarly visible in the highly irregular, conventionally indefensible attitude of the industrial classes in the current labor and wage disputes, not of an avowedly socialistic aim. So also as regards the departure from the ancient norm in such non-economic, or secondarily economic matters as the family relation and responsibility, where the disintegration of conventionalities in the industrial towns is said to threaten the foundations of domestic life and morality ; and again as regards the growing inability of men trained to materialistic, industrial habits of thought to appreciate, or even to apprehend, the meaning of religious appeals and consolations that proceed on the old fashioned conventional or metaphysical grounds of validity. But these and other like directions in which the cultural effects of the modern specialization of occupations, whether in industry or in business, may be traceable can not be followed up here.